



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Leslye Corsiglia
Julia H. Cooper

SUBJECT: SEE BELOW

DATE: August 27, 2012

Approved

Date

8/27/12

INFORMATION

SUBJECT: REPORT ON ACTIVITIES UNDERTAKEN BY THE DIRECTOR OF HOUSING AND THE DIRECTOR OF FINANCE UNDER THE DELEGATION OF AUTHORITY ORDINANCE FOR THE PERIOD OF APRIL 1, 2012 THROUGH JUNE 30, 2012

EXECUTIVE SUMMARY

This memorandum details actions taken under the delegation of authority to the Director of Housing and the Director of Finance for the fourth quarter of FY 2011-12 (April 1, 2012 through June 30, 2012). During this reporting period, the Director of Housing approved actions modifying the terms of nine single-family homes, four miscellaneous actions pertaining to multifamily projects, and the write off of funds for ten First Time Homebuyer loans due to foreclosure. These transactions are listed in Attachment A.

In addition, the Director of Housing approved 34 new rehabilitation loans and grants totaling \$533,995 and 15 new homebuyer loans totaling \$850,268. The Director of Finance held no TEFRA hearings during this reporting period.

BACKGROUND

On September 4, 1990, the City Council adopted Ordinance No. 23589 which delegated to the Director of Housing certain specified authorities in the administration of the City's comprehensive affordable housing program (the "Delegation of Authority" or "DOA"). On May 23, 2000, the DOA was amended by Ordinance No. 26127 to clarify certain sections and to add several other provisions. On June 25, 2002, the DOA was further amended by Ordinance No. 26657 to add several provisions delegating additional authority to the Director of Housing, the Director of Finance, and the City Manager. Subsequently, the City Manager delegated to the Director of Housing the contract authority granted to the City Manager. Effective July 26, 2007, the DOA was further amended by Ordinance No. 28067 to modify certain provisions in order to streamline the Housing Department's process of making and adjusting loans and grants.

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The DOA is codified in Chapter 5.06 of the Municipal Code. This Memorandum reports on activities undertaken pursuant to the Administration's delegated authority for the period of April 1, 2012 through June 30, 2012.

ANALYSIS

The DOA authorizes the Director of Housing: to develop and implement additional guidelines for housing programs; to adjust terms on housing loans and grants; to change the funding sources of a loan; to convert loans to grants; to loan or to grant Housing and Homeless funds, Predevelopment funds, and Housing Rehabilitation Program funds; to negotiate and to execute grant agreements necessary to implement Council-approved programs adopted in the Annual Action Plan of the Consolidated Plan; to provide management for, and/or dispose of, properties acquired through direct purchase, foreclosure or deed-in-lieu proceedings; to formalize the City Council's policies and procedures regarding housing loan defaults; to apply for federal or State funding; to determine, within defined parameters, various terms and conditions of loans and grants previously approved by the City Council; to make adjustments, within defined parameters, to loans and grants previously approved by the City Council; and to make other technical changes.

Further, the DOA delegates jointly to the Director of Housing and Director of Finance certain authority related to the City's issuance of tax-exempt, private activity bonds to finance the development of affordable housing projects. The DOA also delegates to the Director of Finance the authority to hold TEFRA hearings on the City's proposed issuance of tax-exempt bonds to finance affordable housing projects.

Attached are charts that detail the actions taken under the DOA during the period of April 1, 2012 through June 30, 2012.

COORDINATION

Preparation of this report has been coordinated with the Office of the City Attorney.

/s/

JULIA H. COOPER
Acting Director of Finance

/s/

LESLEYE CORSIGLIA
Director of Housing

For more information, contact Leslye Corsiglia, Director of Housing, at (408) 535-3851.

Attachments A & B

ATTACHMENT B

ACTIONS TAKEN BY THE DIRECTOR OF HOUSING 4th Quarter 2011 – 2012 (April – June 2012)

Single Family Rehabilitation and Improvement Loans and Grants approved by the Director of Housing during the Fourth Quarter of FY 2011-12.

| REHABILITATION LOANS AND GRANTS | NUMBER | AMOUNT |
|---------------------------------|-----------|------------------|
| Rehabilitation Loans | 8 | \$225,000 |
| Single Family Rehabilitation | 13 | \$132,225 |
| Mobilehome Rehabilitation | 13 | \$176,770 |
| TOTAL | 34 | \$533,995 |

Homebuyer Loans approved by the Director of Housing during the Fourth Quarter of FY 2011-12.

| HOMEBUYER LOANS | NUMBER | AMOUNT |
|---|-----------|------------------|
| BEGIN – Loan Program | 4 | \$337,366 |
| Welcome Home Loan Program (CalHome and HOME) | 1 | \$19,000 |
| Neighborhood Stabilization Program 2 | 10 | \$493,902 |
| Neighborhood Stabilization Program 1 | 0 | 0 |
| TOTAL | 15 | \$850,268 |

Housing Trust Fund Grants

There were no Housing Trust Fund Grants approved by the Director of Housing during this quarter.

TEFRA Hearings held by the Director of Finance

There were no TEFRA Hearings held during this quarter.

ATTACHMENT A

ACTIONS TAKEN BY THE DIRECTOR OF HOUSING 4th Quarter 2011 – 2012 (April – June 2012)

| # | Date | Action | Muni Code Citation |
|---|---------|--|--------------------|
| 1 | 4/5/12 | <p>Approved the amendment for the construction/permanent loan agreement of the following for Cornerstone at Japantown Family Apartments. Extension of the period:</p> <ul style="list-style-type: none"> for payment of project costs savings to 60 days for Borrower's receipt of 8609 not later than July 31, 2012; required to confirm that the First Amendment to Lease complies with the required amount of rent credits for rent overages charged to tenants to 30 days after conversion; for receipt and approval of the Accounting Report to 30 days after Conversion; and for compliance with the City's management plan and management agreement requirements to 30 days after Conversion. | 5.06.340 (A)(9) |
| 2 | 4/5/12 | <p>Approved a refund of excess rents to tenants to effect the Conversion from Construction to Permanent Loan for Cornerstone at Japantown, L.P., for the Cornerstone at Japantown Family Apartments.</p> | 5.06.380 |
| 3 | 4/9/12 | <p>Approved the following actions due to foreclosure in March 2012 for seven (7) First Time Homebuyer loans:</p> <ul style="list-style-type: none"> Wrote off \$286,084 in 20% funds; Wrote off \$90,000 in BEGIN funds; Wrote off \$21,270 in ADDI funds Reduced HOME investment by \$60,000; and Reduced deferred revenue by \$68,000. <p>In each case, it was determined that the only way that the City could have protected the security for its loan would have been to satisfy the senior lenders, which was not economically feasible given declining property values and that the debt secured by the property exceeded its value.</p> | 5.06.380 |
| 4 | 4/10/12 | <p>Approved the following for the single family home located at Clydelle Avenue due to a decline in value from \$323,200 to \$257,000:</p> <ul style="list-style-type: none"> Acceptance of the \$40,000 as full payment of the City loan; Reconveyed the City Deed of Trust; and Released the Affordability Restrictions. <p>Borrower tried to sell the property before moving into a larger home; however, the fact that the mortgage was underwater and the market was flooded with homes, they were unable to market the property without an ensuing short sale.</p> | 5.06.380 |
| 5 | 4/19/12 | <p>Approved specific business terms for the \$6,750,000 construction/permanent loan to San Jose Pacific Associates for development of the 93-unit Mayfair Court Apartments to be made available to extremely low- and very low-income households being developed by a joint venture of USA Multifamily Development and Pacific West Communities. This action will implement the direction approved by City Council on 9/30/08 to fund the land acquisition/construction/permanent loan for the development.</p> | 5.06.335 |

| # | Date | Action | Muni Code Citation |
|----|---------|---|--------------------|
| 6 | 4/24/12 | <p>Approved the following for the single family home located at Yarwood Court due to a decline in value from \$430,990 to \$234,000, and the borrower could no longer pay the senior mortgage:</p> <ul style="list-style-type: none"> ▪ Allow the short sale and acceptance of \$5,000 as full payment of the City loan; ▪ Reduce HOME funds by \$60,000; ▪ Reconveyed the City Deed of Trust; and ▪ Released the Affordability Restrictions. | 5.06.380 |
| 7 | 5/1/12 | <p>Approved the following for the single family home located at Gold Run Way due to a decline in value from \$354,000 to \$250,000, and the borrower could no longer pay the senior mortgage:</p> <ul style="list-style-type: none"> ▪ Allow the short sale and acceptance of \$1,000 as full payment of the City loan; ▪ Wrote off \$39,000 in 20% funds; ▪ Reconveyed the City Deed of Trust; and ▪ Released the Affordability Restrictions. | 5.06.380 |
| 8 | 5/1/12 | <p>Approved the following for the single family home located at Fruitdale Avenue due to a decline in value from \$466,570 to \$350,000, and the borrower could no longer pay the senior mortgage:</p> <ul style="list-style-type: none"> ▪ Allow the short sale and acceptance of \$3,000 as full payment of the City loan; ▪ Wrote off \$57,000 in 20% funds; ▪ Reconveyed the City Deed of Trust; and ▪ Released the Affordability Restrictions. | 5.06.380 |
| 9 | 5/1/12 | <p>Approved the following for the single family home located at Sean Circle due to a decline in value from \$310,000 to \$210,000, and the borrower could no longer pay the senior mortgage:</p> <ul style="list-style-type: none"> ▪ Allow the short sale and acceptance of \$4,000 as full payment of the City loan; ▪ Wrote off \$36,000 in 20% funds; ▪ Reconveyed the City Deed of Trust; and ▪ Released the Affordability Restrictions. | 5.06.380 |
| 10 | 5/7/12 | <p>Approved the following for the single family home located at Technology Drive due to a decline in value from \$450,000 to \$251,000, and the borrower could no longer pay the senior mortgage:</p> <ul style="list-style-type: none"> ▪ Allow the short sale and acceptance of \$10,800 as full payment of the City loan; ▪ Reduced deferred income by \$97,200; ▪ Reconveyed the City Deed of Trust; and ▪ Released the Affordability Restrictions. | 5.06.380 |
| 11 | 5/8/12 | <p>Approved the following for the single family home located at Colony Knoll due to a decline in value from \$430,000 to \$200,000, and the borrower could no longer pay the senior mortgage:</p> <ul style="list-style-type: none"> ▪ Allow the short sale and acceptance of \$6,500 as full payment of the City loan; ▪ Wrote off \$58,500 in 20% funds; ▪ Reconveyed the City Deed of Trust; and ▪ Released the Affordability Restrictions. | 5.06.380 |

| # | Date | Action | Muni Code Citation |
|----|---------|--|--------------------|
| 12 | 5/14/12 | <p>Approved the following for the single family home located at Makati Circle due to a decline in value from \$433,000 to \$240,000, and the borrower could no longer pay the senior mortgage:</p> <ul style="list-style-type: none"> ▪ Allow the short sale and acceptance of \$1,000 as full payment of the City loan; ▪ Wrote off \$39,000 in 20% funds; ▪ Reconveyed the City Deed of Trust; and ▪ Released the Affordability Restrictions. | 5.06.380 |
| 13 | 5/15/12 | <p>Approved the following for the single family home located at Grey Feather Circle due to a decline in value from \$397,000 to \$176,000, and the borrower could no longer pay the senior mortgage:</p> <ul style="list-style-type: none"> ▪ Allow the short sale and acceptance of \$1,500 as full payment of the City loan; ▪ Wrote off \$63,500 in 20% funds; ▪ Reconveyed the City Deed of Trust; and ▪ Released the Affordability Restrictions. | 5.06.380 |
| 14 | 5/15/12 | <p>Approved the following actions due to foreclosure in April 2012 for three (3) First Time Homebuyer loans:</p> <ul style="list-style-type: none"> ▪ Wrote off \$24,813 in 20% funds; ▪ Reduced deferred revenue by \$158,200; and ▪ Reduced HOME investment by \$65,000. <p>In each case, it was determined that the only way that the City could have protected the security for its loan would have been to satisfy the senior lenders, which was not economically feasible given declining property values and that the debt secured by the property exceeded its value.</p> | 5.06.380 |
| 15 | 5/30/12 | <p>Approved the following of the transfer in conjunction with the sale of Parkside Glen affordable housing project:</p> <ul style="list-style-type: none"> ▪ Execution of an assignment and assumption for a transfer of ownership in the Parkside Glen Apartments affordable residential rental development from Parkside Glen, L.P, an affiliate of Related/CORE., to Parkside Glen Apartments, L.P. an affiliate of JRK Property Holdings, Inc, repayment of the City's loan and reconveyance of the City's deed of trust; and ▪ The New Owner's payment or credit of \$35,000 in previously collected Excess Rents to tenants and lease amendments by the New Owner to reflect allowed affordable rents. | 5.06.340 (A)(9) |